COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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Boston Gas Company d/b/a)	D.T.E. 03-40 2nd Annual PBR	
KeySpan Energy Delivery New England)	05-66 Rate Adjustment Filir	1g
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AFFIDAVIT OF TIMOTHY NEWHARD

I, Timothy Newhard, depose and say as follows:

- 1. I am a financial analyst with the Utilities Division of the Office of the Attorney General of the Commonwealth of Massachusetts. My business address is 1 Ashburton Place, Boston Massachusetts, 02108.
- 2. I graduated from the University of Maine at Orono in 1979 with a Bachelor of Science Degree in Engineering Physics. In 1981, I graduated from Northeastern University with a Masters Degree in Business Administration with concentrations in finance and economics. I passed all of the Certified Public Accounting exams in 1985 and successfully completed all of the Chartered Financial Analyst exams in 1991.
- 3. I have been employed in the Office of the Attorney General since 1981 as a financial analyst, working on all aspects of utility rate cases. I have advised the Office of the Attorney General on policy and technical issues regarding utility matters and testified as an expert witness on various cost of service issues.
- 4. During the course of my employment, I have worked extensively with utility cost of service, bad debt, energy costs and performance based rate plans.
- 5. I have reviewed Boston Gas Company's ("Company") 2nd Annual Performance Based Rate ("PBR") Adjustment in D.T.E. 03-40 submitted to the Massachusetts Department of Telecommunications and Energy on September 15, 2005, and docketed as D.T.E. 05-66.
- 6. Natural gas is a basic commodity in the energy market used widely throughout the economy for heating residential, commercial and industrial structures, as well as for the generation of electricity used by every sector of the economy, including manufacturing, business and domestic use.

- 7. Based on my research and understanding, the Gross Domestic Product Price Index ("GDP-PI") is effected by energy costs. The increase in energy costs cited by the Company in its PBR filing has impacted the GDI-PI during the period used to determine the Company's price cap inflation factor, increasing this factor by as much as 50 percent over previous periods, and consequently adding as much as \$2.9 million to the Company's requested revenue increase under the PBR formula. Therefore, the Company receives some offsetting compensation for the increase in bad debt expense through the price cap formula.
- 8. The Company should also be compensated for the increase in bad debt expense through its base rates. The Company would be expected to have increased bad debt during a period when it had increased sales due to colder than normal weather, as it did during 2004, the measurement year in its filing. The increase in sales, however, increased the Company's base revenues by over \$4.8 million, according its calculations in the filing, thus offsetting increases in bad debt expense.
- 9. Notwithstanding the fact that the claimed bad debt expense increase is neither a distribution rate cost nor an exogenous cost, the Company has not provided the evidence necessary for me to determine what its gross writeoffs and recoveries are for its core customers. Specifically, the Company has not provided any accounting statements, much less ones that are audited, that provide the gross writeoffs and recoveries for its core customers.

The foregoing affidavit is true and accurate, to the	he best of my knowledge, information and belief.
Signed this 20 th day of October 2005.	
	Timothy Newhard
Subscribed and sworn to before me this 2	0 th day of October 2005.
	My Commission expires:
Notary Public	